

Message Text

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11

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

PA-04 PRS-01 USIA-15 DRC-01 /225 W

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R 022033Z JUL 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1610

INFO AMEMBASSY ABU DHABI

UASINT ALGIERS 0009

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

DRUFHAU/AMEMBASSY VIENNA 0033

LIMITED OFFICIAL USE QUITO 4377

E.O. 11652: N/A

TAGS: ENRG, EFIN, EC

SUBJ: GOE RAISES INCOME TAX ON PETROLEUM COMPANIES

REF: QUITO 4123

1. GOE RAISED THE INCOME TAX ON PETROLEUM COMPANIES FROM 40 TO 45 PERCENT AS OF JULY 1, 1974. SINCE THE INCOME TAX ON COMPANIES ALSO CARRIES A SURCHARGE OF 11 PERCENT OF THE TAX,
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THE EFFECTIVE INCOME TAX RATE IS INCREASED FROM 44.4 PERCENT

TO 49.95 PERCENT.

2. THE EFFECT OF NEW INCOME TAX RATE WILL BE TO RAISE THE GOE TAKE BY 52 CENTS PER BARREL OF TEXACO-GULF EXPORTS OF EQUITY CRUDE OR BY AN AVERAGE OF 21 CENTS PER BARREL OF PRODUCTION. THE MINISTER OF NATURAL RESOURCES HAS TAKEN THE STAND THAT ECUADOR ACTED IN COMPLIANCE WITH THE RECOMMENDATIONS OF THE JUNE OPEC CONFERENCE IN QUITO. IN REALITY, HOWEVER, THE TAX INCREASE IS MUCH IN EXCESS OF THE SMALL INCREASE INDICATED BY THE CONFERENCE COMMUNIQUE AND MENTIONED TO EMBOFF BY CEPE MANAGER RENE VARGAS (REFTEL). THE MEASURE BEARS A CLOSER RESEMBLANCE TO THE PROPOSAL ADVOCATED BY ECUADOR AND OTHERS OF RAISING INCOME TAXES SHARPLY TO CUT COMPANY PROFIT MARGINS.

3. THE NEW INCOME TAX RATE APPLIES TO 83,700 BARRELS OF THE DAILY PRODUCTION OF 210,000 BARRELS, THE RECENTLY IMPOSED LIMIT ON PRODUCTION. THE GOE'S 16 PERCENT ROYALTY SHARE IS 33,600 BPD; DOMESTIC REQUIREMENTS ARE 64,800 BPD, MOST OF IT EXPORTED IN BARTER FOR VENEZUELAN RECONSTITUTED CRUDE; CEPE'S ONE-QUARTER SHARE OF THE REMAINDER IS 27,000 BPD; AND TEXACO-GULF EXPORTS ON ITS OWN ACCOUNT 83,700 BPD. CEPE'S INCREASED INCOME TAX WILL NOT, OF COURSE, ADD TO NET GOE REVENUE. GOVERNMENT REVENUE FROM TEXACO-GULF EXPORTS WILL GO UP 398 MILLION SUCRES ANNUALLY, OR 199 MILLION SUCRES IN THE SECOND HALF OF 1974. ADDING TO THIS 10 MILLION SUCRES SEMI-ANNUALLY FROM ADDITIONAL INCOME TAX ON DOMESTIC SALES, REVENUES WILL RISE 209 MILLION SUCRES (\$8.36 MILLION) IN 1974.
BREWSTER

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Message Attributes

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